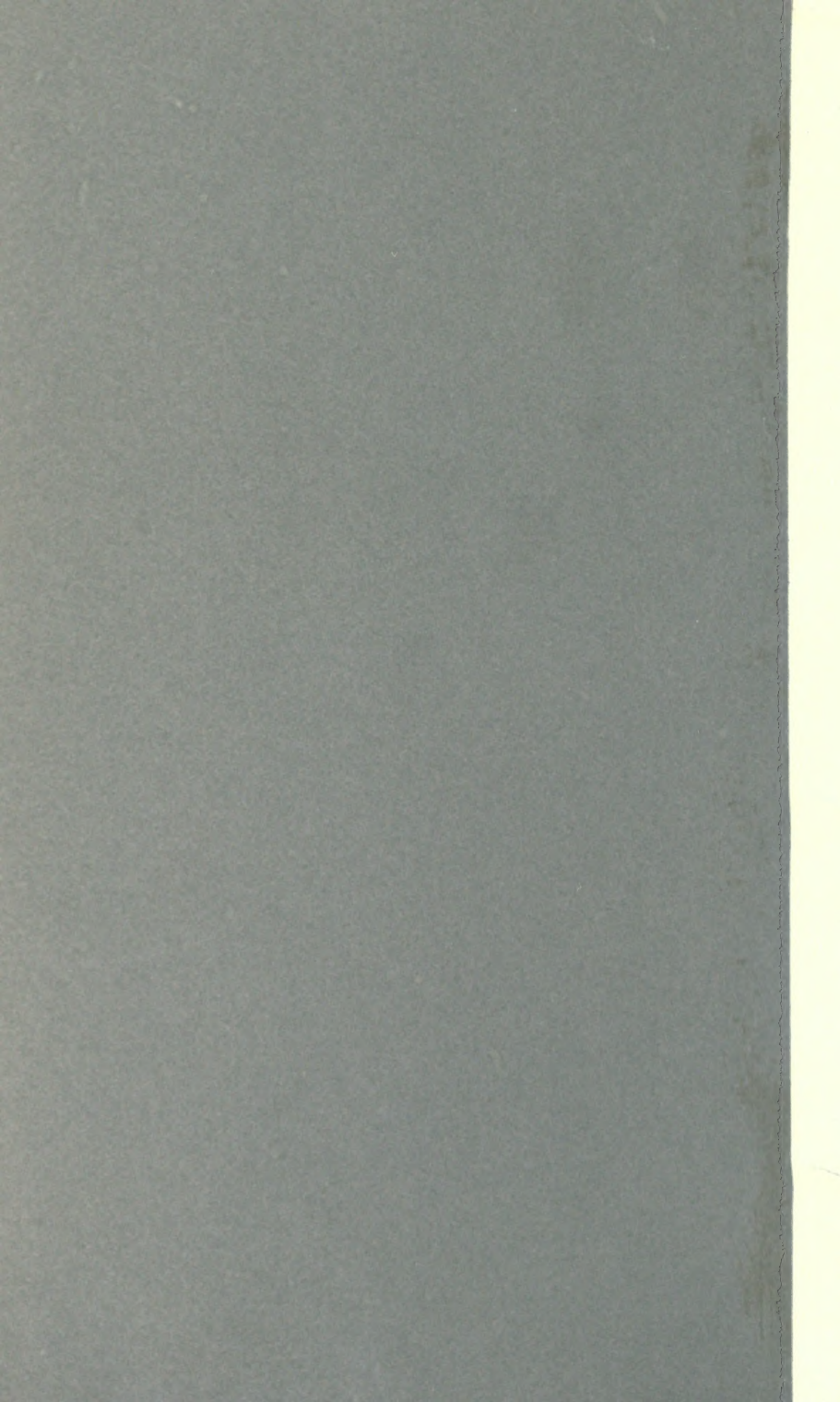




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GROUP NOTES



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NEW SOUTH WALES GROUP.**Memo. from one of the Minority (see p. 3 above).**

It is with regret that I find myself at variance with nearly the whole of the Group members, but in deciding, at Professor ——'s instance, upon a unified basis for the suggested Imperial Parliament, I think the majority is taking a course which, if endorsed by other Groups, must surely wreck the whole proposal. There is little need to exhaustively analyse here the relative advantages of a unitary as against a federal system of government, especially as from my point of view we should concern ourselves with what is practicable at an early date rather than insist upon the theoretically perfect.

Assuming, then, that we must aim only at what is practicable in the near future, can we say that unification of the self-governing portions of the Empire is likely to be accepted? In attempting to answer that question we might well adopt as a guiding principle the statement on page 101 of the Memorandum:—"First of all we must show that there are certain wants which are likely to prove fatal to (our) society unless they are met, and that the existing order does not meet them. Then we must devise some new contrivance which is really adequate to meet these wants. But in obedience to the second principle we must stop there without attempting to deal with other wants which, however important, are not absolutely vital." The only vital "want" which at present impels us towards Imperial union is that of adequate defence. One or two other questions are bound up with defence, but roughly speaking the only need of a pressing character is that of providing for protection from outside aggression. From a doctrinaire standpoint it might be of advantage to include other matters within the purview of an Empire Parliament, but if security could once be guaranteed these would not of themselves cause any widespread demand for union. If, then, we are to accept the second principle alluded to in the foregoing quotation, we must rigorously exclude from the scope of the proposed Imperial Constitution everything which is not essential to defence.

In estimating the probabilities of the acceptance by the Dominions of any plan of organic union, we should remember that the grant of anything approaching complete self-government is in most cases of comparatively recent date. In Australia, New Zealand and South Africa, there consequently exist vivid recollections of rule by the Colonial Office, and most of these memories are tinged with unpleasantness. In view of the geographical facts, perhaps nothing better could have been expected; nevertheless the feeling exists and has to be reckoned with. The first problem before us then is to disarm those who would oppose any scheme of organic union on the ground that it would be a reversion to the old condition where everything was directed from "Downing Street." This can only be done, in my opinion, by carefully delimiting the sphere of action of the suggested Imperial Parliament.

The Group proposal, while inviting a unified Parliament, expresses a pious hope that the central body will confine its activities to defence and

external affairs, with taxation for these objects; but full power is given to exercise any other functions when Parliament is so minded. It may be argued that the representatives would not use a steam hammer to crack a nut, and would therefore leave local affairs severely alone. How much regard is paid to such an argument is instanced by the result of the Federal referenda recently decided. Though the proposals fell far short of unification, yet within certain lines the powers sought to be conveyed to the Australian Parliament were full and complete. Those on the negative side argued that, if the increased powers were granted, practically everything could be controlled from one centre; while the supporters of the proposals urged that, though the full powers were necessary, it was unlikely that any would be exercised except on large questions. The people, however, voted in most emphatic fashion in favour of "home rule," and the amendments were overwhelmingly beaten. In my view, a similar fate, in Australia at least, awaits any scheme which in the last analysis would allow everything to be directed from London. It will be said that we would be represented in the unified Parliament, and thus have a voice in the decisions of that body, but the immense disparity between our population and that of Great Britain precludes any hope of amicable working of such a far-reaching basis. If any plan of Imperial union is practicable in the near future it can only be on the federal model. I do not suggest there should be insistence on equal representation, though probably some concessions in that respect would facilitate acceptance; but the subjects handed over must be strictly defined, and preferably made as few as possible.

Some members of the Group urged that, as a matter of fact, the Imperial Parliament now possessed plenary powers, and therefore we would really sacrifice nothing by agreeing formally to a unified Parliament for the Empire. While this may be true in theory, in practice it is untrue. In the same way it might be said that, in the theory of the British Constitution, the Sovereign possesses absolute powers in many respects. Nominally His Majesty could select his Ministry as he chose, and could disband the Army at a minute's notice; but in practice he could do neither of these things. So with the self-governing Dominions. The grants of self-government made to them by the "Mother of Parliaments" are not only reasonably full—they are also in practice of a permanent character. One cannot conceive of any attempt being made, contrary to the wishes of the people affected, to revoke to any serious extent the powers so freely granted, and we may properly assume that the Dominions would have to be consenting parties to any alterations in their present status. It is apparent, therefore, that the scheme approved by the Group would involve a distinct surrender by the Dominion citizens of the right to manage their own affairs, and is not likely on that account to receive general support.

One of the reasons given by Group members for supporting a unified as against a federal scheme is that the British people have been so long accustomed to the former that it is the only method likely to appeal to them. On the probable attitude of the British voter I can offer no opinion, and it seems to me that it might more wisely have been left to our friends overseas to themselves object to anything we might propose; but it seems probable that, when the British people realise the degree of sacrifice which even a federal scheme involves for the Dominions, they will not insist upon every local matter being placed within the control of a unified Parliament. From the British standpoint there may be objections to allowing Colonials a share in the government of the Empire, but after all the preponderance of representation would be overwhelmingly on the side of Great Britain

and therefore she should not insist that everything should be handed over to a Parliament in which she would be virtually supreme. The risk of being out-voted lies only with the Dominions, so naturally it is their interest to minimise the subjects which may be legislated upon.

Another difficulty in the minds of some Group members was that of allocating powers if a federal plan were adopted. Associated with this was the question of sovereignty, which it was thought should remain with the re-constituted Imperial Parliament. Taking the last point first, I hardly see that the question of sovereignty need arise in practice. At present it is nominally exercised by the King, but actually remains with the people. Without their consent nothing could be done, and if they agree that a central Parliament, with certain limited powers, should be created, no one may say them nay. To constitute such a Parliament for the Empire would necessitate the British and Dominion Parliaments each giving up a portion of the power now exercisable by them, and then the position would be analogous to that now existing in the United States. There the Federal and State legislatures are each sovereign within their respective domains, with a judicial body to define the limits of their power. That there should be some incidental clashing of authority is to be expected, but better a machine with occasional friction than no machine at all. The Swiss system, where the constitutionality of laws is dependent upon the people's will by optional referendum, has a lot to commend it, as the sovereignty is there directly exercised by those who hold it. In our Empire under Imperial federation it would still nominally reside in the King, though finding actual expression through the various Parliaments or through a popular vote. An Imperial High Court would probably be required to ensure that no Parliament strayed beyond the powers granted to it. As to the allocation of powers, these in the first instance would have to be agreed to by the several Parliaments interested, with or without reference to the people direct, as might be decided. Probably a Convention would be needed to draft a scheme for submission to the Parliaments. It was urged by Group members that the point of most difficulty would be the granting of further powers to the Empire Parliament if those first granted were found to be insufficient. This does not appear at all insurmountable, if it is to be presumed that any constitution adopted would contain, as does the Australian Constitution, provisions for its own amendment. These could take a variety of shapes, either of which would be practicable. The initiation of amendments could rest with the Imperial Parliament or with a special Convention representative of the several communities. Amendments embodying additional powers could be made dependent for ratification upon the consent of a majority or all of the local Parliaments, or upon a plebiscite of the communities interested. Alternatively, it could leave the form of obtaining consent to each of the States separately.

It is easy to see that if Imperial union is to be consummated it must rest upon mutual obligation and mutual sacrifice. If in Australia our policy of excluding Asiatics is likely to lead to external complications, and thus possibly involve a burden for the British taxpayer, it must be remembered that the latter would bring into the common council a host of problems with which we have no direct concern. The protection of the interests of British investors the world over is not a matter which would evoke any special enthusiasm in Australia, but is of extreme importance to Great Britain. Similarly, Canada or South Africa may at any time have their own peculiar interests affected in a manner demanding the support of the whole family of nations. To make the injury of one the concern of all is the only effective basis of union, and it is reasonable to

assume that a proportionately equal sacrifice may be expected from each community. To bring about a form of organic union, through which this co-operation for defence of common interests can be definitely secured, is well worth the surrender of the requisite proportion of our self-governing rights, but it is both unwise and unnecessary to ask that more be given up than is essential for effective defence.

For these reasons I dissent most emphatically from the Group proposal to substitute a unitary for the federal form of union suggested in the Memorandum.

(Signed) _____

NOTE from Dunedin upon Chapter VIII. of the Memo.

Chapter VIII. is the only one on which I venture to make any remarks. I am not clear from this chapter whether on the constitution of the Imperial Parliament (1) the whole sovereignty is to pass to it, and thereafter that parliament will delegate to the separate states the powers of the internal government at present enjoyed by them, or (2) the sovereignty of the new Imperial Parliament will be definitely limited at its creation to the functions detailed in Chapter VIII., such as defence, treaty making, etc.

On page 125 it is stated that on the creation of the new constitution the sovereignty at present residing in the British Parliament would pass to the new Imperial Parliament. But in point of fact the main object of Chapter VIII. is to clearly define and limit the scope and power of the new Imperial Parliament, and if that is so, its sovereignty would be limited on its creation and would not be co-extensive with the sovereignty possessed by the present British Parliament. Which course is it proposed to pursue? To create a parliament supreme in all matters, both external and internal, which shall thereafter delegate to the separate states the powers of internal government, or to create an Imperial Parliament with a written constitution limiting its powers to matters of external sovereignty? If the former course, there is not much point in starting off by defining the functions of the Imperial Parliament, because it can expand and contract its area of government on its own initiative without any reference to the constituent states except in so far as they are represented in the Parliament. But the whole tenor of Chapter VIII. seems to me to support the second course as being the one projected, namely, that on the creation of the new Imperial Parliament the present sovereignty would be divided, the external sovereignty passing to the Imperial Parliament and the internal sovereignty passing to the several states. It is not necessary to vest complete sovereignty in the Imperial Parliament, because sovereignty is not in its nature indivisible. To take a concrete case, at present any laws passed by New Zealand dealing with divorce, currency, etc., must be reserved for His Majesty's pleasure, and, moreover, the British Parliament can, if it wishes, legislate on any matter pertaining to the internal government of New Zealand. But as I understand it the new Imperial Parliament would not be able to legislate for the internal affairs of New Zealand, consequently the internal sovereignty of New Zealand and the other states will be enlarged to the extent to which the powers of the present British Parliament are not conferred on the new Imperial Parliament. That is to say, exactly the opposite process will take place to that which accompanied the creation of the American States where the internal sovereignty of the respective states was limited and impaired to the extent to which it was transferred to the federal government.

It may be answered that the ultimate sovereignty will reside in the new

Imperial Parliament, because it will have a power of veto (see page 113). But that will be a negative sovereignty, and the true test as to whether there is an unlimited sovereign power will be whether it is able to increase its area of sovereignty without the consent of a certain proportion of the constituent states.

The point, therefore, shortly is, whether in discussing the proposed Imperial Parliament in Chapter VIII. it is meant to suggest that the functions there conferred on it of defence, peace and war, etc., are to be retained by it as a matter of *convenience*, or are to be the only powers conferred on it as a matter of *legal constitution*. The concluding paragraph on page 125 states that its sovereignty is to be unlimited, and therefore, if it wishes to do so, it can regulate the internal affairs of any state, but the general tenor of Chapter VIII. suggests that its powers are to be limited at its creation, and that it will resemble the Swiss Confederation between 1815 and 1874. That federation resembled in some respects the Germanic Federation, while in some others it more nearly approximated to the American constitution. Each canton retained its sovereignty unimpaired for all domestic purposes even more completely than the German states, but the power of making war and of concluding treaties of peace, alliance, and commerce with foreign states was vested exclusively in the federal diet and all the foreign relations of the country were dealt with by that body.

I think it important to make the point clear, as the constituent states in considering the question of creating a new constitution might approve of a limited federal sovereignty where they would not approve of complete sovereignty being vested in a composite parliament on the lines suggested.

I think it would be better if Chapter VIII. were re-arranged to deal more consecutively with the functions and powers of the Imperial Parliament. On page 100 the writer says "I propose first to put forward a scheme of government which would suffice for the common protection of all the states concerned." But the scheme is interspersed with subsidiary matter, and the reader has to pick out the scheme from various parts of the chapter. He wishes to know the powers and functions of such a government and finds

(a) On page 101—Defence

(b) On page 102—Taxation.

Then a discussion on just principles of taxation, and as to how defaulters will be dealt with and (pp. 107-110) whether the expenditure can be localised, how the Imperial funds can be controlled, and gets back to the state functions again on

(c) Page 115—Tariff (State)

(d) Page 117—Treaties (Federal)

On page 118 he steps aside again to deal with the personnel of the Imperial Parliament and methods of election

(e) Page 121—reverts again to the distinction between State and Federal functions.

I think all the interspersed matter should be carried to the end of the chapter and the Federal functions clearly outlined in the first place.

NOTES on the Question of Finance (Wellington)

Early in its discussion of the Memorandum the Group became fully alive to the crucial nature of the problem of finance. It felt that its general solution as therein set forth required amplification and the support of further detail of reasoning. The proposal as to the basis of the pre-

liminary contributions, supposing Union to result within a reasonably short time, was condemned as absurdly inequitable. Adverse criticism was passed on the constitution of the Assessment Commission and opinion expressed that the phrase "National Income" required definition. It was decided to leave on one side the question as to whether the Union's constituent States could ever be made to feel they were sufficiently represented by the small minority which each would have in the Imperial Parliament. The difficulty of securing the adequate responsibility of representatives to their respective countries was likewise shelved.

Allocation of Special Tax for Imperial Purposes.

The allocation to the Empire Parliament of a special tax or taxes was considered, but the idea abandoned owing to the inability of the Group to find any existing forms of taxation which would raise the required amount in each of the various countries. In every case it appeared that the smallness of the revenue of the Dominion of Canada was the stumbling block. Income tax and death duties, which would raise in Great Britain roughly 60 millions, were considered suitable taxes for allocation. It was found, however, that in the case of Canada the former was non-existent, and it was held that the imposition of a strange tax would unnecessarily aggravate the ill-feeling attendant on every attempt to raise increased revenue. The minimum of interference with the internal policy of the States being axiomatic the idea of handing over customs to the control of the Empire Parliament was waived without discussion. A further argument against the allocation of a special tax seemed to be that in the event of the growth of a large Imperial debt the particular form of taxation allocated might be so increased in severity of incidence as to be harmful to the interests of members of the Union.

Taxation according to Assessment.

In attempting to give further definition to the scheme set forth in the Memorandum, the Group arrived at the following conclusions:

(1) That the Assessment Commission should be composed of experts chosen by the Empire Parliament with rights to avail themselves of the assistance of the Government Statisticians.

(2) That the basis of assessment be the amount of money in each country disposable for the tax collector.

(3) That "National Income" be taken to mean the income of individuals and that "Individuals" includes the State, Municipal Councils and any Corporations, etc. (with certain exceptions, *e.g.*, hospitals and museums, the purposes of which are not private profit).

(4) The income of States to be exclusive of what comes to them by direct taxation.

(5) That the actual assessment be (a) Upon net incomes of individuals as above defined (hereby solving the difficulty of the difference between countries where there are large State undertakings for profit and those in which there are none, *e.g.*, New Zealand and Canada); (b) Upon the annual value of property in land and houses held for immediate enjoyment.

(6) Deduction might be allowed of interest on debt incurred specially for Government enterprise as on capital borrowed in private businesses.

(7) That a graduated minimum of subsistence be allowed to private persons and not included in the assessment.

(8) That the collection of the money be left as suggested in the Memorandum.

It was considered that this scheme comprising the merits of the German and French Schools of Public Finance would give equitable results, since the assessment would be according to ability to pay and by the exemption of a graduated minimum of subsistence some slight regard would have been paid to the quarter from which the extra taxation is almost bound to be chiefly raised.

It was objected, however, that under this scheme the quotas of the Colonies would, owing to the greater proportionate wealth of their individuals rise suddenly to an extent which would unduly endanger the popularity of the scheme of Union. Especially did this argument have force in the case of Canada.

The expense of assessment and the fact that the commission might, however just in the execution of its duty, be the butt of criticism and ill-feeling, led the Group to consider the possibility of assessment on a population basis.

Per Capita Scheme of Taxation.

A study of the tables below shows this to be quite possible :

Population (in millions).		Share at 26% per head.	Present Expen- diture on defence.
Great Britain	45	58.5 millions	68.5 millions
Canada	7	9.1	2.5
Australia	4	5.6	3.0
South Africa (Whites)	1	1.3	.5
New Zealand	1	1.3	.5
	<hr/> 58	<hr/> 75.8	<hr/> 75

The further expenses of the Empire Parliament on its own maintenance, diplomatic services, etc., were considered but appeared to amount to too small an item (£1,000,000) to affect the general scheme. This scheme appeared to have the advantage of resting on a somewhat illogical, and, so one may paradoxically say—practically unassailable basis. It was suggested that it might have some effect on the willingness of the colonies to accept poor settlers, but general opinion was against allowing much weight to this objection. The minor question of coinage was broached in view of the problems which might arise from the over issue of notes by any of the members of the Union, but was felt not to be an essential part of the scheme. Under this scheme it was assumed that

(1) National debts would not be transferred to the Empire Parliament.

(2) The civil list of the Crown would be drawn from the revenue of Great Britain.

(3) Consular services would remain under the control of the Government of the constituent States.

In derogation of this and the previous scheme it was objected that politicians might, when called upon to raise an extra contribution to the Empire Treasury, impose taxes with special and unpopular incidence devised to attain other objects than the mere equitable raising of revenue. This danger appeared, however, inherent in every scheme save the impracticable one of the allocation of special taxes, which alone would have the great merit of clearly separating Empire questions from those of domestic politics.

The Group was finally of opinion that contributions should be raised on a population basis and collected according to the schemes outlined in the Memorandum.

Wellington,

25th May, 1911.

RESOLUTIONS (WELLINGTON).

Naval Defence.

1. This Group believes the feeling in New Zealand is in favour of one Navy controlled by the Empire Parliament.

2. This Group is of opinion that in any scheme for the Federation of the Empire the existence of one Navy under the control of the Empire Parliament is the ideal to be aimed at.

3. This Group believes in the first instance that the contributions of the States bordering on the Pacific should be devoted to the building and maintenance of a Pacific Fleet, and that as far as possible such Fleet should be manned from such States. This we believe would satisfy the local aspirations of these States and would in every instance provide more effective means of even Local defence than any application of the principle of separate State fleets.

4. Whatever might be the undivided expenditure of the States on their separate Navies the same total amounts spent on a single Pacific Fleet would be a more effective defence for each of those States.

The following figures are given by way of illustration :—

1. The States bordering on the Pacific have a white population of some 14,000,000, divided as follows :—

Canada,	8,000,000
Australia,	5,000,000
New Zealand,	1,000,000

Canada has her Eastern sea coasts to provide for so that only half of her total Naval subsidy would be available for the Pacific Fleet : on the other hand the Empire Parliament should subsidise the Pacific Fleet to the extent of (say) 25% on account of the British possessions in China, the East Indies, etc.

On these figures a Naval contribution at the rate of 10s. per head per annum would provide a sum of £6,200,000 in the first year and, increasing with the population (at say, 3%) would provide £10,000,000 in the seventeenth year.

In estimating the fleet that can be provided and maintained by the above amounts it has been assumed that the useful life of a submarine or destroyer will be twelve years; that of a battle-ship or cruiser sixteen years; and that of an auxiliary twenty years. Cost of construction has been taken from last year's Naval report, and cost of maintenance in full commission and of pay (including provision for Staff, etc.) from Admiral Henderson's reports on the Australian Navy. An extra proportion of destroyers and submarines has been estimated for on account of their not being so mobile as the larger ships, and also on account of their value for local defence.

3. £10,000,000 a year would provide and maintain in full commission the following fleet :—

16 Armoured Cruisers (Indefatigable type)

Battleships are only slightly more costly to provide, but are less costly to maintain.

16 Protected Cruisers

48 Torpedo Boat Destroyers

36 Submarines

8-10 Auxiliary Ships (Depot, Store and Repair, etc.) manned by about 24,000 officers and men.

This fleet would be provided by the annual construction of 1 Armoured Cruiser, 1 Protected Cruiser, 4 Destroyers and 3 Submarines, with 1 Auxiliary each second or third year.

4. A Protected Cruiser will take not less than one year, and an Armoured Cruiser not less than two years to construct. The cost of the proposed programme would therefore work out at :—

For the first year	...	£2,000,000
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For the second year	...	£3,000,000
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after which the total will be increased by £435,000 per annum, until the twelfth year and then by £320,000 per annum until the eighteenth year, when the Fleet would be completed and the cost would remain steady at :—

New Construction	...	£2,750,000
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Maintenance and Repairs		£2,850,000
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Pay, etc.	£3,650,000
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A Total of	...	<u>£9,250,000</u>
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This amount would be reduced by from £250,000 to £500,000, if, as would certainly be the case, the whole fleet was not kept in full commission throughout the year.

We should therefore have a balance of £750,000 to £1,250,000 per annum, plus the proceeds from the sale of obsolete ships, etc., available for the cost of shore establishments. (The cost of dockyards would be mainly met by the charges for repairs.)

The Pacific Fleet would require first-class Naval bases at Esquimalt, Hong-Kong and Sydney, together with secondary bases and coaling stations at intermediate strategical points all being linked up by a system of wireless stations.

For these works and for the construction of barracks, training establishments, etc., large amounts would be available during the earlier years of the scheme.

Trained personnel should be borrowed from the Navy until local officers and men can be sufficiently trained.

5. Some members of the Group considered that in order to bring into the Scheme those States which are committed to the idea of a local Navy it might be necessary to make some concession to their sentiment by providing that where—

(1) Ships are built in accordance with Empire requirements

(2) Training is uniform with that in H.M. Navy

(3) Such local Navy is at the disposal of the Empire authority in time of war,

the Empire exchequer shall refund to the State a proportion of the amount by which the Empire Navy vote has been relieved on account of the State Navy performing duties which must otherwise have been undertaken by the Empire Navy.

It was not considered that any of these States would be likely to pay so substantial a penalty for the sake of the local idea, but that to hold out the offer would be better than presenting a Federal scheme as an absolute *impasse* to those strongly wedded to the idea.

Land Defence.

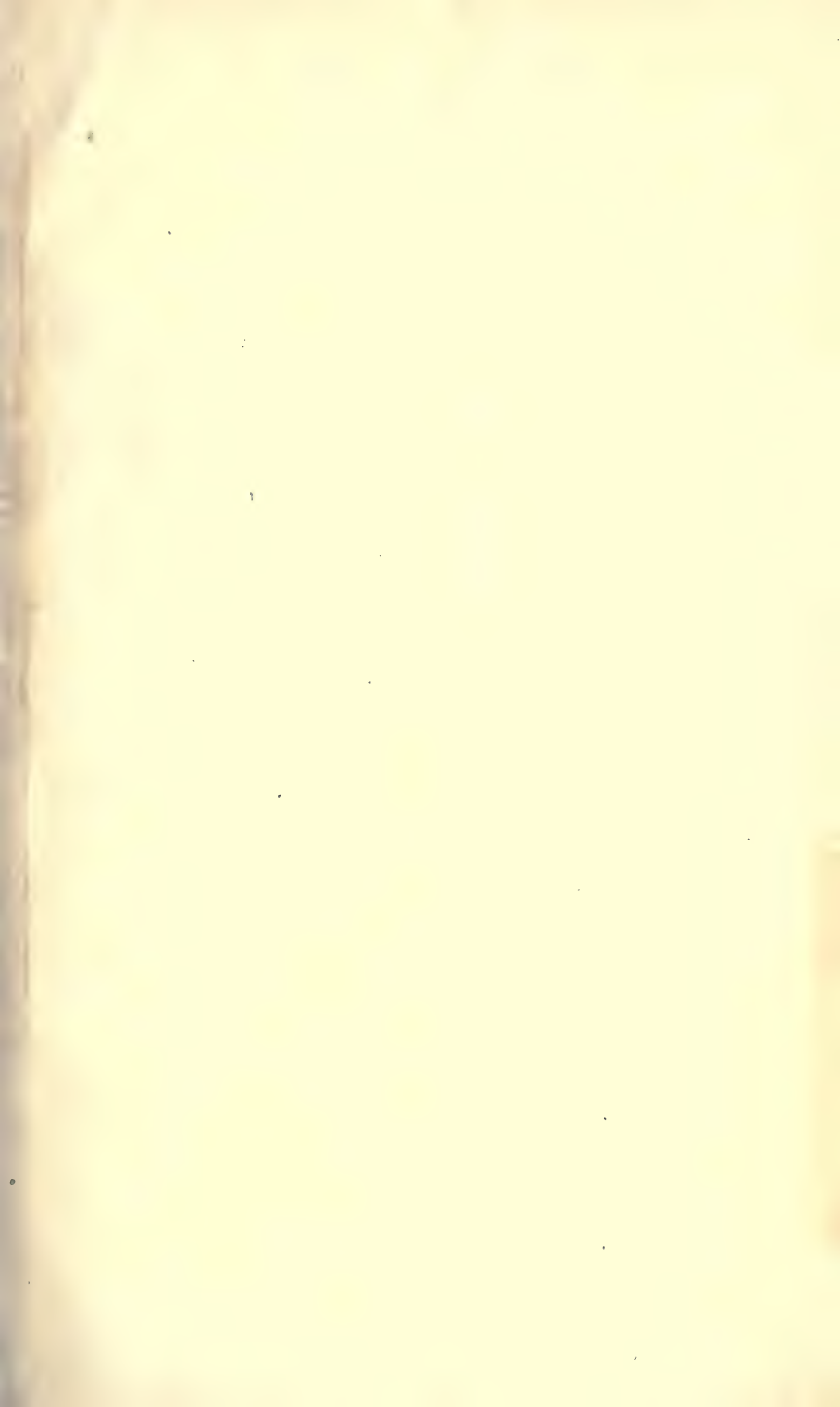
6. The Group is of opinion that the land defence of the Empire requires :

1st. A central force (the Regular Army) constantly in readiness for service in any part of the world, which will provide oversea garrisons, carry on any small wars, and form the first line of our expeditionary force in any big war.

2nd. Power to expand the regular army which can best be obtained by requiring each State to maintain a special (Expeditionary) force, organised and trained on similar lines to the regular army, able to mobilize quickly, and liable for service abroad if called upon by the Empire Government in any national emergency.

3rd. A Territorial force in each State to undertake local protection in the absence of the Navy and of the Expeditionary force so that the two latter may not have their strategic freedom interfered with.

(Further resolutions have been adjourned for further consideration.)



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